



**Director of
Central
Intelligence**

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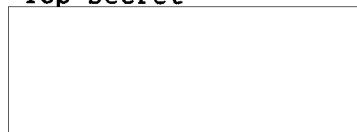
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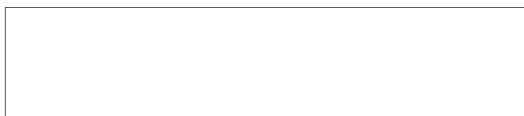
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CENTRAL AMERICA: Military Offensive in El Salvador

The armed forces in El Salvador are taking the military initiative in order to upset insurgent plans to disrupt the elections. Meanwhile, the Guatemalan Government appears headed for a showdown with opposition parties protesting the election of General Guevara. //In Mexico, the Secretary of Defense has expressed concern that the Guatemalan insurgency may eventually spread to his country.//

The Salvadoran Army has begun a large-scale offensive against a major insurgent base area in the central part of the country. Almost 2,000 troops are involved in the operation, which was launched with unusual security precautions to avoid tipping off the guerrillas.

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The base area is a key point in the distribution of insurgent supplies throughout El Salvador. It also is a potential staging area for an attack on one of the remaining bridges across the Lempa River.

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Comment: The Army's most recent offensive apparently upset insurgent plans to attack San Salvador, and this operation may disrupt guerrilla raids on cities in the country's central and eastern regions.

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Postelection Crisis in Guatemala

All three opposition leaders are calling for demonstrations of protest against electoral fraud, including a daily one-hour work stoppage. These protests are to culminate in a massive demonstration on Monday, the day election results are to be validated by the congress.

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Comment: A general strike supported by business and labor groups would embarrass the government but would not jeopardize Guevara's accession to the presidency. The Army shows every intention of using whatever force is needed to silence dissent over the election results. In the event of a strike or additional clashes between the security forces and the regime's opponents, the government probably will declare a state of siege.

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Mexican Concern

//Mexican Secretary of Defense General Galvan recently told a US official that he is convinced that the insurgency in Guatemala will eventually have an impact on Mexico's internal security. Although Galvan acknowledged that some members of the government prefer to ignore the problems posed by guerrilla activity along the border with Guatemala, he said that he intends to do his best to maintain control there.//

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//Galvan claimed to have reached an agreement late last month with his Guatemalan counterpart that will ensure greater bilateral cooperation. He also expressed a willingness to exchange information with the US on Guatemalan guerrilla operations.//

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Comment: //Galvan's comments reflect growing anxiety among senior Mexican military officials over the spread of insurgency in Central America and highlight differences in the government over Central American policy. Nevertheless, Mexican policymakers probably will continue to resist efforts for more effective military cooperation with Guatemala.//

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USSR: Debate Over Investment Strategy

A recent Pravda article indicates that the debate is continuing over the investment priorities adopted last November in the five-year plan, which ends in 1985.

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Prominent Soviet economist Abel Aganbegyan criticizes what he views as the insufficient expansion of capacity for production of more and better quality machinery, which, he maintains, is crucial to regain the higher rates of growth of the past. Growth below this level would prevent the USSR from raising living standards.

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Aganbegyan--noting manpower shortages, a planned smaller share of output devoted to investment, and the rising cost of extracting natural resources--stresses the familiar theme that growth now heavily depends on raising output per worker. This, he says, can be attained only through much more rapid modernization and mechanization of industry. The Soviets, however, have been allocating only a small share of total investment to the machinery sector.

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Comment: The publication of the article in *Pravda* suggests support for these views within the top leadership, particularly from party Secretary Kirilenko, who has been the strongest supporter in the Politburo of machine-building. The dispute is not over the rate of growth of investment but over whether to allocate more to machinery, with less going to such sectors as land reclamation, chemicals, metallurgy, timber, and coal. These and other sectors, Kirilenko would argue, would benefit in the longer run.

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The shifts might well create new bottlenecks or intensify old ones. Moreover, they would have to come at the expense of growth in other sectors, thereby antagonizing powerful interest groups.

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USSR-IRAN: Sign of Soviet Displeasure

Moscow's latest public displeasure over relations with Iran appears designed to caution Tehran that it will have to take new actions if the situation is to improve. An article in *Pravda* this week acknowledges improved economic cooperation but lists grievances against Iran. Among other things, it cites the reduction of Soviet diplomatic personnel in Tehran, the unilateral termination of the Society of Soviet-Iranian Cultural Relations, and the anti-Soviet rhetoric of Iranian media. The commentary also criticizes "conservative factions" in the leadership for obstructing closer bilateral relations.

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Comment: The article appears to be a warning that Moscow's tolerance for anti-Soviet actions is limited and that Tehran should meet the USSR halfway if it wants continued economic and military support. The Soviets may hope that Iran's current economic problem will provide the necessary impetus for improving political relations. The singling out of "conservative elements" may be aimed at weakening their positions in relation to the factions that apparently favor closer cooperation with the USSR.

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EC: Roadblock to Sanctions Removed

//Denmark's agreement to drop its procedural reservation against EC restrictions on imports from the USSR removes the final roadblock to carry out the EC sanctions that were put in final form late last week. The measures reportedly will be imposed early next week by all EC members except Greece, which continues to oppose sanctions.//

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Comment: //Other EC members probably convinced Copenhagen to drop its objection because of the minimal effect sanctions would have on Denmark's trade and because of the increasing pressures on the EC from Washington to take action.//

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GREECE: Socialist Budget

The government's first proposed budget projects a deficit of \$4 billion, almost 10 percent of GNP. According to press reports, expenditures are to rise by 35 percent--roughly 10 percent in real terms--including increases of 27 percent for defense spending, 15 percent for salary and pension costs, and 42 percent for social welfare. Higher taxes are expected to produce a 58-percent increase in revenues, which would reduce the deficit by 5 percent.

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Comment: Revenue projections probably are too optimistic, particularly if output remains depressed. In addition, salary and pension expenditures, which comprise over one-third of the budget, almost certainly will rise more than projected because of large raises already granted to lower income workers and government promises to index wages. Prime Minister Papandreou sees this budget as creating favorable conditions for the five-year development plan beginning in 1983, but, with falling private investment, income redistribution, and an inflationary budget, economic problems are likely to intensify by the end of the year.

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UK: Amphibious Ships Retained

//The government has decided to keep two large landing ships that were to be scrapped, but it evidently will go through with the sale of a carrier to Australia. The carrier is to be delivered in late 1983, after a sister ship becomes operational. The UK has claimed to NATO that by keeping the ships it will maintain its amphibious capability at the current level.//

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Comment: //All major amphibious ships were to be taken out of service by 1985, and the UK would have had difficulty fulfilling its NATO mission of rapidly reinforcing the northern flank or moving intervention forces outside the NATO area. Retaining the two ships will help but will not stop the decline of UK amphibious capabilities. Both Royal Navy officials and Conservative backbenchers apparently are resisting the decision to sell the carrier, and the government may have acted now in order to counter parliamentary opposition to the sale.//

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CHINA: Accelerated Population Growth

Beijing is forecasting a birth rate of about 2 percent per year for each of the next two years, up from an average of about 1.8 percent for each of the last two years. With a population of about 1 billion at the beginning of this year, this would result in an addition of some 28 million people by the end of 1983. Beijing now admits that the "one-child-per-couple" policy needs to be changed to make family planning more acceptable and realistic. Some provinces recognize that making the household rather than the commune the key agricultural production unit and assigning land on a per capita basis encourage large families.

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Comment: The more rapid increase in population results in part from a higher proportion of couples of child bearing age in the population, a new law lowering the legal age for marriage, and the effects of the agricultural policy. The new trend threatens to prevent China from achieving its goal of keeping the population below 1.2 billion through the end of the century, and it will further impede economic development.

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SPECIAL ANALYSIS

TURKEY: Leadership Problems

//There are signs of serious divisions among the ruling generals for the first time since the military takeover 18 months ago. The differences focus on how the regime should deal with foreign and domestic critics and have led General Evren, chief of the National Security Council, to tighten his grip on power and act more on his own. The government's tough response to domestic and West European criticism also has heightened misgivings among intellectuals and labor leaders normally inclined to support the military. Their resentment could eventually focus on the US, which increasingly is viewed as the regime's principal supporter.//

//Evren's consolidation of power is designed to sidestep divisions in the Council and to advance his political ambitions. He apparently calculates that a hard line against West European critics will help him win the presidency once civilian rule is restored.//

//At the same time, the government has broadened the scope of its domestic crackdown. The regime recently arrested 44 prominent individuals, including the defense attorney for jailed union members and a former ambassador, on charges ranging from Communist affiliation to speaking out against government policies.//

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//Some prominent civilians who have supported or at least acquiesced in previous restrictions imposed by the regime believe the generals may have overstepped their bounds in this case. [REDACTED]

The press, meanwhile, has begun to criticize the government more directly and for the first time is mentioning Evren by name.// [REDACTED]

The Turks are accustomed to periodic elections and public debate on significant issues and are not likely to condone many more restrictions of their civil liberties. Continued strong-arm tactics will further erode the regime's support among politically active groups. Evren's personal popularity also is likely to wane as he and his government's policies come under increasing fire from civilians looking to the resumption of political activity next year. [REDACTED]

//The real danger to the military leadership and its mission, however, comes from within the government itself. There are already indications that police and security forces are implementing laws and decrees in ways that will not be incriminating once the civilian rule is restored. Such jockeying for position probably will hinder the campaign against terrorism and attempts to reform the political system.// [REDACTED]

//In the meantime, continued West European criticism of the military government probably will fan resentment in military circles and encourage the government to take harsher action against domestic opponents. There is a strong chance that civilian critics in Turkey will soon begin to vent their frustrations on the US, which increasingly is identified as the principal backer of the military regime.// [REDACTED]

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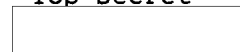
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//Many of these critics are likely to figure prominently in future civilian governments. As a result, the US could come under even heavier criticism once civilians return to power--probably in the spring of 1984--especially if the military's reforms fail to achieve their intended goals.//



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